

CITY OF OELWEIN

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS &  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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CITY OF OELWEIN

OFFICIALS

| <u>NAME</u>  | <u>TITLE</u>                           | <u>TERM EXPIRES</u> |
|--|--|---------------------|
| Larry Murphy   | Mayor                                  | January 2012        |
| Duane Brandt   | Mayor Pro Tem                          | January 2012        |
| Chris Jensen   | Council Member                         | January 2014        |
| (Stepped Down April 1,2011-Replaced by Bruce Beringer July 1,2011) |  |                     |
| Kevin Stickel  | Council Member                         | January 2014        |
| Paul Ryan  | Council Member                         | January 2012        |
| Rex Ericson  | Council Member                         | January 2014        |
| Nathan Lein  | Council Member                         | January 2012        |
|  |  |                     |
| Steven H. Kendall  | City Administrator/Clerk/<br>Treasurer | Indefinite          |
|  |  |                     |
| Barb Rigdon  | Deputy City Clerk/                     | Indefinite          |
|  |  |                     |
| Ronald VanVeldhuizen   | Attorney                               | Indefinite          |

James R. Ridihalgh, C.P.A.  
Gene L. Fuelling, C.P.A.  
Donald A. Snitker, C.P.A.

14 East Charles St, PO Box 639  
Oelwein, IA 50662  
(319)283-1173  
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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Oelwein's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated December 7, 2011 on our consideration of the City of Oelwein's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over

financial reporting or on compliance. That report are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages I through VII and 25 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oelwein's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the ten years ended June 30, 2010 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.*

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

December 7, 2011

## **CITY OF OELWEIN**

20 2<sup>nd</sup> Ave SW, Oelwein, IA 50662  
319-283-5440 Fax 319-283-4032

Larry Murphy, Mayor  
Duane Brandt, Mayor Pro Tem  
Chris Jensen, Council At-Large  
Kevin Stickel, 2<sup>nd</sup> Ward Council  
Nathan Lein, 3<sup>rd</sup> Ward Council  
Rex Ericson, 4<sup>th</sup> Ward Council  
Paul Ryan, Council At-Large

Steven Kendall, City Administrator  
Barbara Rigdon, Deputy City Clerk  
Ron Van Veldhuizen, City Attorney  
Jeremy Logan, Police Chief  
Wally Rundle, Fire Chief  
Victor Kane, Utilities Superintendent  
Tom Stewart, Street Superintendent  
Susan Macken, Librarian  
Durango Steggall, Park Superintendent

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of the City of Oelwein's financial performance provides an overview of the City's activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements that begin on page 4.

#### **FINANCIAL HIGHLIGHTS**

The City's total revenues exceeded total expenses by \$760,580 for the year. This consisted of \$300,000 in Franchise Fees, \$200,000 each in Water and Sewer for repayments to Debt Service on construction projects.

The City acting as the lead agency received a Homeland Security grant of \$408,000 for the 15 county LEIN region to provide for equipment, salaries and expenses in law enforcement.

The City continued to administer a Neighborhood Stabilization grant in the amount of \$1,000,000 which was awarded to the city in 2008 for the purchase and redevelopment of foreclosed upon properties to be either demolished and either be rebuilt upon or vacant lots sold to area low-to-moderate income households. Construction of two new homes began during this period.

Cities are required by statute to contribute to employee retirement plans. The City of Oelwein Police and Fire personnel participate in the Municipal Fire and Police Retirement System of Iowa (MFPRSI). MFPRSI employees contribute 9.40% of earnable compensation. Employer contribution for this audit period (2010-2011) was 19.90% of compensation. The employer rate for FY 11-12 will be 24.76%. This rate will continue to climb to 26.12% on July 1, 2012 and is estimated to be 30.90% on July 1, 2013 as State mandated enhanced pension benefits become effective. By comparison the City's rate was 17% in FY 09-10. In 2000 11.12% would have been sufficient to fully fund the MFPRSI.

Most other regular City employees are members of Iowa Public Employees Retirement System (IPERS). The City's portion of IPERS was 6.95% for regular employees. IPERS employees contribute 4.50% of earnable compensation. These figures will increase on July 1, 2011 to 8.07% and 5.38%.

The water rate minimum increased \$1.00 and the per 100 cubic foot consumption rate increased \$0.60 effective December 1, 2010. Sewer rates increased \$1.00/minimum and \$0.80 per 100 cubic foot effective December 1, 2010. Future rate increases will be as dictated by EPA mandated improvements and to replace aging distribution mains.

The City's General Fund ended the year with a fund balance of \$453,075. The recommended General Fund balance should be at least 25% of the General Fund budget. During this past fiscal year 25% of the General Fund budget was \$454,413. Therefore, the General Fund year end balance was adequate.

The City was pledged \$155,219 from FEMA and the State for flood damages experienced in 2010. During the fiscal year \$87,374 had been received.

The City continued with construction to separate the water system into two pressure zones. The water main construction on this \$2,344,000 project has been completed. The booster pumping station should be finished in 2011. The City is funding this with a \$600,000 Community Development Block Grant and \$1,700,000 from the State Revolving Loan Fund.

The First Avenue Lift Station replacement and 3600' of main and 1400 of gravity sanitary sewer project allows expansion in the Industrial Park. \$605,000 in I-Jobs Funding has been pledged towards the \$1,502,881 cost. State Revolving Loan funds have been obligated for the balance.

This fiscal year the City entered into agreements with Quality Plus Mfg. to provide up to \$750,000 in 100% property tax rebate incentives over 10 years to locate in the Oelwein Industrial Park and create 30 jobs.

\$571,933 in incentives were pledged to Transco in exchange for a \$2,000,000 expansion and 10 new jobs.

The City ended the fiscal year by setting a Hearing for \$2,900,000 in refinancing bonds which would cut interest payments and thereby save the City \$200,000 over the course of the loan.

## **USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 was implemented in 2004 as a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

### **Report Components**

This annual report consists of the following parts:

**Financial Statements**

**Notes to the Financial Statements**

**Required Supplementary Information**

**Other Supplementary Information**

### **Basis of Accounting**

The City of Oelwein has elected to present its financial statements on a cash basis of accounting. A cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis, revenues and expenses are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

### **Reporting the City's Financial Activities**

#### *Government-wide Financial Statement*

The Statement of Activities and Net Assets reports information which help express whether the City is better off than one year ago. The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

1 – Governmental Activities include public safety, public works, culture and recreation,



community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

- 2 – Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

### **Government-Wide Financial Analysis**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$3,239,087 to \$3,482,535. The analysis that follows focuses on the changes in cash balances for governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities<br>(Expressed in Thousands) |                     |       |
|---|---------------------|-------|
|   | Year ended June 30, |       |
|   | 2011                | 2010  |
| Receipts and transfers  |                     |       |
| Program receipts:   |                     |       |
| Charge for service  | \$ 141              | 126   |
| Operating grants and contributions  | 1,194               | 1,353 |
| Capital grants and contributions  | 459                 | 98    |
| General receipts:   |                     |       |
| Property tax  | 2,147               | 1,924 |
| Local option sales tax  | 844                 | 505   |
| Tax Increment taxes   | 78                  | 152   |
| Investment Earnings   | 210                 | 183   |
| Other general receipts  | 527                 | 656   |
| Total Receipts  | 5,600               | 4,997 |
| Other Revenue Sources   | 210                 | 713   |
| Total receipts and transfers  | 5,810               | 5,710 |
| Disbursements:  |                     |       |
| Public safety   | 1,657               | 1,613 |
| Public works  | 722                 | 700   |
| Health and social services  | 36                  | 26    |
| Culture and recreation  | 735                 | 710   |
| Community and economic development  | 1,114               | 537   |
| General government  | 349                 | 327   |
| Debt service  | 526                 | 1,415 |
| Capital projects  | 257                 | 807   |
| Enterprise  | 0                   | 537   |
| Total disbursements   | 5,396               | 6,672 |
| Increase (decrease) in cash basis net assets  | 414                 | (962) |
| Cash basis net assets beginning of year   | 3,069               | 4,201 |
| Cash basis net assets end of year   | \$ 3,483            | 3,239 |

The City's total receipts for governmental activities increased by 2 %, or \$100,000. The total cost of all programs and services decreased by approximately \$1,276,000, or 19%.

Because the City is at the maximum General Fund rate allowed (8.10) employee benefits are paid from the Trust and Agency levy. The Trust and Agency levy increased from \$704,747 in fiscal year 2010 to \$781,316 in fiscal year 2011.

The cost of all governmental activities this year was \$5,395,939 compared to \$6,672,863 last year. However, as shown in the Statement of Activities and Net Assets on pages 5 and 6, the amount taxpayers ultimately financed for these activities was approximately \$3,423,709. This was possible because some of the cost was paid by those directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest totaling approximately \$1,972,230. Overall, the City's

governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2011 to \$5,599,778 from \$4,997,397 in 2010.

| Changes in Cash Basis Net Assets of Business Type Activities<br>(Expressed in Thousands) |                     |        |
|--|---------------------|--------|
|  | Year ended June 30, |        |
|  | 2011                | 2010   |
| Receipts:  |                     |        |
| Program receipts:  |                     |        |
| Charges for service:   |                     |        |
| Water  | \$2,128             | 685    |
| Sewer  | 1,405               | 1,150  |
| Landfill   | 217                 | 218    |
| Recycling  | 82                  | 82     |
| Williams Center  | 105                 | 105    |
| Fuel Fund  | 138                 | 94     |
| General receipts:  |                     |        |
| Unrestricted interest on investments   | 10                  | 12     |
| Bond proceeds  | 0                   | 0      |
| Other general receipts   | 24                  | 24     |
| Total receipts   | 4,109               | 2,370  |
| Disbursements:   |                     |        |
| Water  | 602                 | 533    |
| Sewer  | 574                 | 508    |
| Landfill   | 220                 | 220    |
| Recycling  | 82                  | 83     |
| Fuel fund  | 141                 | 99     |
| Wellness Center  | 175                 | 175    |
| Capital Projects   | 1,318               | 172    |
| Debt Service   | 620                 | 621    |
| Transfers  | 33                  | 62     |
| Total disbursements and transfers  | 3,765               | 2,473  |
| Increase (decrease) in cash balance  | 344                 | ( 103) |
| Cash basis net assets beginning of year  | 565                 | 497    |
| Cash basis net assets end of year  | \$ 909              | 394    |

Total business type activities receipts for the fiscal year were \$4,109,000 compared to \$2,370,000 last year. Therefore disbursements and transfers for the fiscal year increased by \$1,292,000.

## Individual Major Governmental Fund Analysis

- As Oelwein completed the year, its governmental funds reported a combined balance of \$3,482,535, a decrease of \$962,442 from last year's total of \$3,239,087. The following are the major reasons for the changes in fund balances of the major funds from the prior year.
- The General Fund cash balance increased \$72,053 from the prior year to \$453,075.
- The Debt Service Fund cash balance decreased by \$180,669 to \$33,119 during the fiscal year.

## Individual Major Business Type Fund Analysis

- The Water Fund cash balance increased by \$263,853 to \$392,002.
- The Sewer Fund cash balance increased by \$192,409 to \$328,933.

## Budgetary Highlights

The City amended its budget in May. This was necessary because of additional disbursements and receipts in certain City departments. The City had sufficient cash balances and grant funds to absorb these additional costs.

## Debt Administration

At June 30, 2011 the City had approximately \$4,395,000 in general obligation bond debt. \$8,727,000 in other long-term debt, for a total of \$13,122,000.

| Outstanding Debt at Year End<br>(Expressed in Thousands) |                  |        |
|--|------------------|--------|
|  | June 30,<br>2011 | 2010   |
| General obligation bonds                                 | \$ 4,395         | 4,745  |
| Urban renewal tax increment financing revenue bonds      | 0                | 0      |
| Total  | \$ 4,395         | 4,745  |
| Sewer Revenue Notes                                      | 7,180            | 7,555  |
| CEBA Loan Agreement                                      | 0                | 0      |
| Economic Development Loan                                | 52               | 84     |
| Library Pledge Loan                                      | 0                | 0      |
| Intermediary Relending Program                           | 500              | 327    |
| Water Revenue Notes                                      | 995              | 0      |
| Total  | \$ 13,122        | 12,711 |

Debt decreased during the 2011 fiscal year. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,395,000 is below its constitutional debt limit of \$10,408,353.

## **Economic Factors and Next Year's Budget and Rates**

The City Council considered many factors when setting the fiscal year 2012 budget, tax rates and fees that will be charged for various City activities.

Expenditures financed from the 2009 Bond Sale will continue next fiscal year. The City Council has programmed to transfer \$150,000 towards 2<sup>nd</sup> Street SE Curb and Gutter, \$100,000 towards paving 10<sup>th</sup> Street SE, \$25,000 towards the Airport Terminal match.

The City will continue construction on major water and sewer system upgrades during the next fiscal year.

## **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steven Kendall, City Treasurer, 20 Second Avenue SW, Oelwein, Iowa.

## FINANCIAL STATEMENTS

City of Oelwein

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2011

| Functions / Programs:              | Disbursements | Program Receipts    |  |   |
|------------------------------------|---------------|---------------------|--|---|
|                                    |               | Charges for Service | Operating Grants, Contributions, and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Governmental activities:           |               |                     |  |   |
| Public safety                      | \$ 1,657,381  | 75,258              | 346,130  | 1,863   |
| Public works                       | 721,848       | 56,093              | 726,700  | 22,927  |
| Health and social services         | 36,096        | -                   | -  | -   |
| Culture and recreation             | 734,580       | 206,882             | 63,623   | -   |
| Community and economic development | 1,113,995     | -                   | -  | 472,754   |
| General government                 | 348,957       | -                   | -  | -   |
| Debt service                       | 526,090       | -                   | -  | -   |
| Capital projects                   | 256,992       | -                   | -  | -   |
| Enterprise                         | -             | -                   | -  | -   |
| Total governmental activities      | 5,395,939     | 338,233             | 1,136,453  | 497,544   |
| Business type activities:          |               |                     |  |   |
| Water                              | 577,578       | 921,838             | 375  | -   |
| Water Improvements                 | 1,183,282     | -                   | -  | 1,205,972   |
| Sewer                              | 574,277       | 1,404,738           | 375  | -   |
| Sewer Bond Sinking                 | 620,225       | -                   | -  | -   |
| Nonmajor business type funds       | 776,029       | 564,642             | 297  | -   |
| Total business type activities     | 3,731,391     | 2,891,218           | 1,047  | 1,205,972   |
| Total                              | \$ 9,127,330  | 3,229,451           | 1,137,500  | 1,703,516   |

**General Receipts:**

Property tax levied for:  
 General purposes  
 Debt service  
 Tax increment financing  
 Special assessments  
 Local option sales tax  
 Hotel/Motel Tax  
 Gas-Electric Franchise  
 Unrestricted interest  
 Miscellaneous  
 USDA Promissory Note  
 Rents  
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

Nonexpendable:

Cemetery Perpetual Care

Expendable:

Streets

Debt Service

Other Purposes

Unrestricted

**Total cash basis net assets**

See notes to financial statements

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

| Governmental<br>Activities | Business Type<br>Activities | Total       |
|----------------------------|-----------------------------|-------------|
| (1,234,130)                | -                           | (1,234,130) |
| 83,872                     | -                           | 83,872      |
| (36,096)                   | -                           | (36,096)    |
| (464,075)                  | -                           | (464,075)   |
| (641,241)                  | -                           | (641,241)   |
| (348,957)                  | -                           | (348,957)   |
| (526,090)                  | -                           | (526,090)   |
| (256,992)                  | -                           | (256,992)   |
| -                          | -                           | -           |
| (3,423,709)                | -                           | (3,423,709) |
| -                          | 344,635                     | 344,635     |
| -                          | 22,690                      | 22,690      |
| -                          | 830,836                     | 830,836     |
| -                          | (620,225)                   | (620,225)   |
| -                          | (211,090)                   | (211,090)   |
| -                          | 366,846                     | 366,846     |
| (3,423,709)                | 366,846                     | (3,056,863) |
| 1,860,915                  | -                           | 1,860,915   |
| 239,354                    | -                           | 239,354     |
| 77,819                     | -                           | 77,819      |
| 140,773                    | -                           | 140,773     |
| 518,770                    | -                           | 518,770     |
| 47,008                     | -                           | 47,008      |
| 278,059                    | -                           | 278,059     |
| 35,210                     | 10,573                      | 45,783      |
| 154,523                    | -                           | 154,523     |
| 176,750                    | -                           | 176,750     |
| 275,117                    | -                           | 275,117     |
| 33,116                     | (33,116)                    | -           |
| 3,837,414                  | (22,543)                    | 3,814,871   |
| 413,705                    | 344,303                     | 758,008     |
| 3,068,830                  | 564,638                     | 3,633,468   |
| \$ 3,482,535               | 908,941                     | 4,391,476   |
| \$ 262,265                 | -                           | 262,265     |
| 78,617                     | -                           | 78,617      |
| 177,866                    | -                           | 177,866     |
| 2,510,711                  | 12,500                      | 2,523,211   |
| 453,076                    | 896,441                     | 1,349,517   |
| \$ 3,482,535               | 908,941                     | 4,391,476   |



## City of Oelwein

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2011

|                                       | General      | Special Revenue          |                     |                         |
|---------------------------------------|--------------|--------------------------|---------------------|-------------------------|
|                                       |              | #64-Employee<br>Benefits | #66-Road Use<br>Tax | #74-Library<br>Bequests |
| Receipts:                             |              |                          |                     |                         |
| Property tax                          | \$ 1,079,599 | 781,316                  | -                   | -                       |
| Tax increment financing collections   | -            | -                        | -                   | -                       |
| Other city tax                        | -            | -                        | -                   | -                       |
| Licenses and permits                  | 90,508       | -                        | -                   | -                       |
| Use of money and property             | 65,614       | 1,549                    | -                   | 7,012                   |
| Intergovernmental                     | 163,168      | -                        | 603,762             | -                       |
| Charges for service                   | 178,473      | -                        | -                   | -                       |
| Special assessments                   | -            | -                        | -                   | -                       |
| Miscellaneous                         | 116,900      | 7,864                    | -                   | 3,687                   |
| Total receipts                        | 1,694,262    | 790,729                  | 603,762             | 10,699                  |
| Disbursements:                        |              |                          |                     |                         |
| Operating:                            |              |                          |                     |                         |
| Public safety                         | 909,694      | 415,863                  | -                   | -                       |
| Public works                          | 66,589       | 39,717                   | 582,610             | -                       |
| Health and social services            | -            | -                        | -                   | -                       |
| Culture and recreation                | 574,454      | 102,551                  | -                   | 11,245                  |
| Community and economic development    | -            | 1,425                    | -                   | -                       |
| General government                    | 209,591      | 139,366                  | -                   | -                       |
| Debt service                          | -            | -                        | -                   | -                       |
| Capital projects                      | 31,524       | 147                      | -                   | -                       |
| Enterprise                            | -            | -                        | -                   | -                       |
| Total disbursements                   | 1,791,852    | 699,069                  | 582,610             | 11,245                  |
| Excess of receipts over disbursements | (97,590)     | 91,660                   | 21,152              | (546)                   |
| Other financing sources (uses):       |              |                          |                     |                         |
| IRP Loan Proceeds                     | -            | -                        | -                   | -                       |
| Operating transfers in                | 287,467      | 24,333                   | -                   | -                       |
| Operating transfers out               | (117,823)    | -                        | (63,805)            | -                       |
| Total other financing sources (uses)  | 169,644      | 24,333                   | (63,805)            | -                       |
| Net change in cash balances           | 72,054       | 115,993                  | (42,653)            | (546)                   |
| Cash balances beginning of year       | 381,022      | 166,560                  | 121,270             | 412,819                 |
| Cash balances end of year             | \$ 453,076   | 282,553                  | 78,617              | 412,273                 |
| <b>Cash Basis Fund Balances</b>       |              |                          |                     |                         |
| Nonspendable-Cemetery Perpetual Care  | -            | -                        | -                   | -                       |
| Restricted For:                       |              |                          |                     |                         |
| Debt service                          | -            | -                        | -                   | -                       |
| Other Purposes                        | -            | 282,553                  | -                   | 412,273                 |
| Streets                               | -            | -                        | 78,617              | -                       |
| Unassigned                            | 453,076      | -                        | -                   | -                       |
| Total cash basis fund balances        | \$ 453,076   | 282,553                  | 78,617              | 412,273                 |

See notes to financial statements

EXHIBIT B

| <u>Capital Projects</u><br>#75-Economic<br>Development | Nonmajor<br>Governmental<br>Funds | Total       |
|--|-----------------------------------|-------------|
| -  | 285,933                           | 2,146,848   |
| -  | 77,819                            | 77,819      |
| -  | 843,837                           | 843,837     |
| -  | -                                 | 90,508      |
| 113,584  | 22,740                            | 210,499     |
| -  | 886,410                           | 1,653,340   |
| -  | -                                 | 178,473     |
| -  | 140,773                           | 140,773     |
| 77,787   | 51,443                            | 257,681     |
| 191,371  | 2,308,955                         | 5,599,778   |
| -  | 331,824                           | 1,657,381   |
| -  | 32,932                            | 721,848     |
| -  | 36,096                            | 36,096      |
| -  | 46,330                            | 734,580     |
| 355,107  | 757,463                           | 1,113,995   |
| -  | -                                 | 348,957     |
| -  | 526,090                           | 526,090     |
| -  | 225,321                           | 256,992     |
| -  | -                                 | -           |
| 355,107  | 1,956,056                         | 5,395,939   |
| (163,736)  | 352,899                           | 203,839     |
| -  | 176,750                           | 176,750     |
| 364,573  | 356,989                           | 1,033,362   |
| (70,486)   | (748,132)                         | (1,000,246) |
| 294,087  | (214,393)                         | 209,866     |
| 130,351  | 138,506                           | 413,705     |
| 502,393  | 1,484,766                         | 3,068,830   |
| 632,744  | 1,623,272                         | 3,482,535   |
| -  | 262,265                           | 262,265     |
| -  | 177,866                           | 177,866     |
| 632,744  | 1,183,141                         | 2,510,711   |
| -  | -                                 | 78,617      |
| -  | -                                 | 453,076     |
| 632,744  | 1,623,272                         | 3,482,535   |

City of Oelwein

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2011

|  |                     |
|--|---------------------|
| <b>Total governmental funds cash balances (page 8)</b> | <b>\$ 3,482,535</b> |
|--|---------------------|

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

|  |                     |
|--|---------------------|
| <b>Cash basis net assets of governmental<br/>activities (page 8)</b> | <b>\$ 3,482,535</b> |
|--|---------------------|

|   |                   |
|---|-------------------|
| <b>Net change in cash balances (page 8)</b> | <b>\$ 413,705</b> |
|---|-------------------|

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

|  |                   |
|--|-------------------|
| <b>Change in cash basis net assets of governmental<br/>activities (page 8)</b> | <b>\$ 413,705</b> |
|--|-------------------|

See notes to financial statements

## City of Oelwein

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2011

|  | Enterprise Funds |              |           |            |           |           |
|--|------------------|--------------|-----------|------------|-----------|-----------|
|  | #61              | #62          | #67       | #90        |           |           |
|  | Water            | Water        | Sewer     | Sewer Bond | Nonmajor  | Total     |
|  |                  | Improvements |           | Sinking    |           |           |
| Operating receipts:  |                  |              |           |            |           |           |
| Intergovernmental  | \$ 375           | 1,205,972    | 375       | -          | 297       | 1,207,019 |
| Charges for service  | 859,356          | -            | 1,366,077 | -          | 530,311   | 2,755,744 |
| Miscellaneous  | 62,482           | -            | 38,661    | -          | 34,331    | 135,474   |
| Total operating receipts   | 922,213          | 1,205,972    | 1,405,113 | -          | 564,939   | 4,098,237 |
| Operating disbursements:   |                  |              |           |            |           |           |
| Business type activities   | 577,578          | 1,183,282    | 574,277   | -          | 776,029   | 3,111,166 |
| Culture & Recreation   | -                | -            | -         | -          | -         | -         |
| Debt service:  |                  |              |           |            |           |           |
| Principal  | -                | -            | -         | 375,000    | -         | 375,000   |
| Interest   | -                | -            | -         | 226,650    | -         | 226,650   |
| Miscellaneous  | -                | -            | -         | 18,575     | -         | 18,575    |
| Total operating disbursements  | 577,578          | 1,183,282    | 574,277   | 620,225    | 776,029   | 3,731,391 |
| Excess (deficiency) of operating receipts over (under) operating disbursements | 344,635          | 22,690       | 830,836   | (620,225)  | (211,090) | 366,846   |
| Non-operating receipts (disbursements):  |                  |              |           |            |           |           |
| Interest on Investments  | 2,488            | -            | 1,799     | 3,193      | 3,093     | 10,573    |
| Total non-operating receipts (disbursements)                                   | 2,488            | -            | 1,799     | 3,193      | 3,093     | 10,573    |
| Excess (deficiency) of receipts over (under)disbursements                      | 347,123          | 22,690       | 832,635   | (617,032)  | (207,997) | 377,419   |
| Operating transfers in   | -                | -            | -         | 620,225    | 107,262   | 727,487   |
| Operating transfers out  | (83,270)         | -            | (640,225) | -          | (37,108)  | (760,603) |
| Net transfers  | (83,270)         | -            | (640,225) | 620,225    | 70,154    | (33,116)  |
| Net change in cash balances  | 263,853          | 22,690       | 192,410   | 3,193      | (137,843) | 344,303   |
| Cash balances beginning of year  | 128,150          | (164,531)    | 136,523   | 156,412    | 308,084   | 564,638   |
| Cash balances end of year  | \$ 392,003       | (141,841)    | 328,933   | 159,605    | 170,241   | 908,941   |
| Cash Basis Fund Balances   |                  |              |           |            |           |           |
| Restricted for Williams Reserve  | \$ -             | -            | -         | -          | 12,500    | 12,500    |
| Unrestricted   | 392,003          | (141,841)    | 328,933   | 159,605    | 157,741   | 896,441   |
| Total cash basis fund balances   | \$ 392,003       | (141,841)    | 328,933   | 159,605    | 170,241   | 908,941   |

See notes to financial statements

SCHEDULE E

City of Oelwein

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Proprietary Funds

As of and for the year ended June 30, 2011

|   |                   |
|---|-------------------|
| <b>Total enterprise funds cash balances (page 10)</b> | <b>\$ 908,941</b> |
|---|-------------------|

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

|   |                   |
|---|-------------------|
| <b>Cash basis net assets of business type<br/>activities (page 6)</b> | <b>\$ 908,941</b> |
|---|-------------------|

|  |                   |
|--|-------------------|
| <b>Net change in cash balances (page 10)</b> | <b>\$ 344,303</b> |
|--|-------------------|

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

|   |                   |
|---|-------------------|
| <b>Change in cash basis net assets of business type<br/>activities (page 6)</b> | <b>\$ 344,303</b> |
|---|-------------------|

See notes to financial statements

# CITY OF OELWEIN

## Notes to Financial Statements

June 30, 2011

### 1. Summary of Significant Accounting Policies

The City of Oelwein is a political subdivision of the State of Iowa located in Fayette County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

#### A. Reporting Entity

For financial reporting purposes, the City of Oelwein has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

#### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fayette County's Assessor's Conference Board; Fayette County Homeland Security/Emergency Management Commission; Fayette County Compensation Board; Fayette County E911; the Fayette County Local Emergency Planning Committee; Fayette County Solid Waste Management Commission, Bremer County/City of Oelwein Law Enforcement Mutual Aid, Upper Explorerland Regional Planning Commission, Fayette County Firemen's Association, Buchanan County Firemen's Association, Iowa Firemen's Association, Iowa Fire Chief's Association, Iowa Arson Investigators Association, International Fire Chief's Association, Oelwein Chamber and Area Development, Northeast Iowa City Managers, Northeast Iowa Regional League, Iowa League of Cities, Iowa City Management Association, Iowa Water Pollution Control Association, Northeast Iowa Clerks Association, Iowa Municipal Finance Officers Association, Fayette County Library

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2011

Jointly Governed Organizations (continued)

Association, American Public Works Association, Iowa Police Chiefs Association; Peace Officers Association; International Association of Chiefs of Police (IACP); Iowa Crime Prevention Association; Governors Inoperability Board; Iowa Association of Municipal Utilities (IAMU); Iowa Rural Water Association; Iowa Municipal Workers Compensation Association (IMWCA); Trees Forever; National Arbor Day Foundation; Iowa Concrete Association; Iowa Asphalt Association, National Swimming Pool Association, Law Enforcement Intelligence Network, and Midwest Organized Crime Information Center (MOCIC).

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2011

B. Basis of Presentation (continued)

as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Employee Benefits Fund is used to account for receipt of property tax allocated for employee benefits.

The Road Use Tax Funds is used to account for receipt and disbursements of Road Use Tax Funds from the State of Iowa.

The Library Bequest Fund is used to account for receipts and disbursements of funds bequested to the Library.

Capital Projects:

The Economic Development Fund is used to account for Community and Economic Development projects.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Water Improvement Fund accounts for the improvements to the water distribution system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sewer Bond Sinking Fund is used to account for payments on the sewer bond debt.



CITY OF OELWEIN

Notes to Financial Statements

June 30, 2011

C. Measurement Focus and Basis of Accounting

The City of Oelwein maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011 disbursements did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The City's deposits at June 30, 2011, were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2011.

## CITY OF OELWEIN

## Notes to Financial Statements

June 30, 2011

3. Bonded Indebtedness

Annual debt service requirements to maturity for general obligation and urban renewal tax increment financing revenue bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | General<br>Obligation<br>Notes & Bonds |                 | Revenue Bond     |                  | Totals            |                  |
|----------------------------|--|-----------------|------------------|------------------|-------------------|------------------|
|                            | <u>Principal</u>                       | <u>Interest</u> | <u>Principal</u> | <u>Interest</u>  | <u>Principal</u>  | <u>Interest</u>  |
| 2012                       | 300,000                                | 155,945         | 386,000          | 215,550          | 686,000           | 371,495          |
| 2013                       | 450,000                                | 148,175         | 398,000          | 203,970          | 848,000           | 340,375          |
| 2014                       | 365,000                                | 135,205         | 410,000          | 192,200          | 775,000           | 314,935          |
| 2015                       | 545,000                                | 124,625         | 422,000          | 179,730          | 967,000           | 304,355          |
| 2016                       | 535,000                                | 106,820         | 435,000          | 167,070          | 970,000           | 273,890          |
| 2017-2021                  | 2,200,000                              | 210,796         | 2,378,000        | 631,650          | 4,578,000         | 842,446          |
| 2022-2026                  | -                                      | -               | 2,751,000        | 252,900          | 2,751,000         | 252,900          |
| Tot.                       | <u>\$4,395,000</u>                     | <u>881,566</u>  | <u>7,180,000</u> | <u>1,843,070</u> | <u>11,575,000</u> | <u>2,717,881</u> |

On November 30, 2005, the City issued \$3,995,000 in General Obligation Corporate Purpose and Refunding Bonds, Series 2005A. The loan matures on June 1 of each year, starting June 1, 2006. Interest is payable June 1, 2006 and semiannually thereafter on the first day of June and December of each year. Principal is payable June 1, 2006 and annually thereafter on the first day of June each year. The City has the right to repay part or all of the Bonds, maturing in the years 2014 to 2019. Prior to and in any order of maturity on June 1, 2012 or any date thereafter upon the terms of par and accrued interest. Balance at June 30, 2011 was \$2,785,000.

In May, 2009, the City issued \$1,190,000 in General Obligation corporate Purpose bonds, Series 2009 for the purpose of "...constructing street, streetscape, sanitary sewer, airport and park improvements, acquiring equipment for the police, parks and general municipal departments..." and for "...paying the cost, to the extent, of constructing an addition to the police department building and improvements at the municipal swimming pool...". The loan matures on June 1 of each year, starting June 1, 2010. Interest is payable December 1, 2009 and semiannually thereafter on the first day of June and December of each year. Principal is payable June 1, 2010 and annually thereafter on the first day of June each year; except for June 1, 2012, which Resolution No. 4562 states "Principal of the Bond maturing on June 1, 2013, is subject to mandatory redemption (by lot, as selected by Registrar) on June 1 in each of the years 2012 and 2013..." and June 1, 2014, which Resolution No. 4562 states "Principal of the Bond maturing on June 1, 2015, is subject to mandatory redemption (by lot, as selected by the Registrar) on June 1 in each of the years 2014 and 2015...". Interest rates are from 1.25% to 4.0%. City has reserved the right to prepay part or all of the Bonds maturing in each of the years 2016 to 2021. The balance at June 30, 2011 was \$1,125,000.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2011

In April 15, 2010 the City issued \$620,000 in General Obligation corporate purpose and refunding bonds, Series 2010A for the purpose of "...paying the costs, to that extent, of acquiring equipment for the police department and cemetery and refunding the outstanding balance of the City's General Obligation Corporate Purpose and Refunding Notes, dated June 1, 2003." The loan matures on June 1 in each of the years commencing December 1, 2010. Interest is payable December 1, 2010 and semiannually thereafter on the first day of June and December of each year. Principal is payable annually each June 1 beginning June 1, 2011. Last payment to be June 1, 2015. Bonds are not subject to redemption prior to maturity. The balance at June 30, 2011 was \$485,000.

Revenue Note:

In order to establish a Municipal Sanitary Sewer System, the City has entered into a Loan and disbursement Agreement with Iowa Finance Authority not to exceed \$8,954,000. The City has established a Sewer Revenue Bond Sinking Fund, from which is paid the principal and interest on this debt. The Bonds are not general obligations of the City, and thus not payable in any manner by taxation. The Bonds are subject to optional redemption by the City at a price of par plus accrued interest on any interest payment date after the ten year anniversary of the Agreement. Any optional redemption may be made from any funds regardless of source. The balance on this debt at June 30, 2011 was \$7,180,000.

Revenue Note

In order to make improvements to the water distribution system in order to comply with IDRN recommendations has entered into a Loan and disbursement Agreement with Iowa Finance Authority not to exceed \$1,700,000 at a rate of 3%. Sewer Revenue Bonds will be issued. The Bonds are not general obligations of the City, and thus not payable in any manner by taxation. The Bond are payable solely and only out of the future Net Revenues of the Utility of the City. The Bonds are subject to optional redemption by the City at a price of par plus accrued interest on any date with the prior written consent of the Iowa Finance Authority. Any optional redemption may be made from any funds regardless of source. Interest is due December 1 and June 1 of each year commencing December 1, 2010. Principal is to be paid annually and is scheduled to commence June 1, 2012. The balance on this debt at June 30, 2011 was \$995,289.

4. Other Notes Payable

There is a line of credit for \$600,000 originally with Fidelity Bank of Oelwein, Iowa. During the current year half of this note was sold to Community Bank of Oelwein, Iowa. Original date January 9, 2004. Interest rate is Wall Street Journal Prime minus .50%. Interest rate at June 30, 2011 was 5.25%. Due date is January 10, 2013. Purpose of the note was for

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2011

the maintenance of the Donaldson Building. Note is secured by this building. The balance at June 30, 2011 was \$52,179.

5. U.S.D.A Promissory Note

There is a promissory note with the USDA for \$500,000. The City is to pay interest only on this note April 25<sup>th</sup> of the years 2009, 2010 and 2011. Commencing April 25, 2012 and thereafter on each April 25<sup>th</sup> the City is to pay principal and interest in an amount to fully amortize the loan in 30 years from the date of the note. Prepayments on the promissory note may be made. During the year ended the City paid \$3,457 in interest on the note to USDA. Balance of note on June 30, 2011 was \$500,000.

6. Pension and Retirement Benefits

Municipal Fire and Police Retirement System of Iowa - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits, which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate may not be less than 17%, actual was 17%, of earnable compensation. Contribution requirements are established by State statute. The City's contribution to the Plan for the years ended June 30, 2011, 2010 and 2009 were \$117,159, \$98,527 and \$104,574, respectively, which met the required minimum contribution for each year.

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual salary and the City is required to contribute 6.95% of covered salary certain employees in special risk occupations contribute an actuarially determined contribution rate. Contributions requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$85,642, \$78,768, and \$72,173 respectively, equal to the required contributions for each year.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2011

International City Management Association - The City contributes to the International City Management Association Retirement Corporation (ICMA-RC) on behalf of its City Administrator. ICMA-RC is a 457 deferred compensation plan. The City contributes the IPERS rate plus three percent. The City's contributions to ICMA-RC for the years ended June 30, 2011, 2010 and 2009 were \$12,512, \$10,930 and \$8,440 respectively.

7. Other Postemployment Benefits (OPEB)

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 41 active members in the plan. There were no retired members in the plan at June 30, 2011. Participants must be 55 or older at retirement. The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under the age of 65 may stay on plan and must compensate the City at the same premium for the medical/prescription drug benefits as active employees. The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$508 for single coverage and \$1,270 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$500,223 and plan members eligible for benefits contributed \$39,199 to the plan.

8. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for employee vacation hours is \$82,368. This liability has been computed based on rates of pay in effect at June 30, 2011.

Employees can accrue 12 hours sick leave per month. Up to 130 days of sick leave are accumulated for subsequent use (known as the initial bank of sick leave). This initial bank of sick leave can only be used in the event of illness or injury and is not payable upon termination, retirement or death.

The City has agreed to contracts with three employees that if they reach the maximum 130 days for the initial bank of sick leave that employee earns sick leave hours known as the "Secondary Bank" of sick leave. This "Secondary Bank" of sick leave shall be paid only upon retirement from the City in the form of health insurance. Forty banked days would buy eight weeks of health insurance, sixty banked days would buy twelve weeks of health insurance, one hundred banked days would buy twenty weeks of health insurance and one hundred thirty banked days would buy twenty-six weeks of health insurance. These accumulations are not recognized as expenditures by the City, until used or paid.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2011

9. Related Party Transactions

No business between the City and City officials was noted for the year ended June 30, 2011.

10. Landfill Contract

The City has contracted with Fayette County Solid Waste Management Commission for solid waste disposal for all household residences within the City. For the year ended June 30, 2011, \$298,456 was paid pursuant to the agreement.

11. Deficit Fund Balances

Capital Project Funds – Airport Grant, Neighborhood Stabilization, and 1<sup>st</sup> Ave Lift, and Proprietary Fund-Fuel and Water Improvement had deficit balances at June 30, 2011, which the City considers temporary in nature. The City also had a deficit in the Capital Project Fund-Library Bond Fund which may need to be satisfied by a transfer of funds.

12. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

| Transfers to<br>General | Transfers from<br>Business Type: | Amount         |
|-------------------------|----------------------------------|----------------|
|                         | Water                            | 20,000         |
|                         | Sewer                            | 20,000         |
|                         | Special Revenue:                 |                |
|                         | Lein                             | 14,267         |
|                         | Local Option Tax                 | 156,249        |
|                         | Road Use Tax                     | 20,000         |
|                         | Emergency                        | 32,012         |
|                         | James TIF                        | 5,342          |
|                         | Industrial Park TIF              | 2,147          |
|                         | Hotel/Motel Tax                  | <u>17,450</u>  |
|                         |                                  | <u>287,467</u> |
| Special Revenue:        | Special Revenue:                 |                |
| Property Tax Relief     | Gas/Electric Franchise           | 79,177         |
| Gas/Electric Franchise  | General                          | 117,823        |
| Employee Benefits       | Lein 2009                        | 24,333         |
| Lein 2009               | Lein 2008                        | 1,001          |
|                         | Business Type:                   |                |
| Municipal Trust         | Water                            | <u>29,800</u>  |
|                         |                                  | <u>252,214</u> |
| Capital Projects:       | Special Revenue:                 |                |
| Economic Development    | Sales Tax                        | 364,573        |

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2011

Capital Projects:

|                          |                      |                |
|--------------------------|----------------------|----------------|
| Airport Grant            | 2009 Bond Sale       | 25,000         |
| Downtown Betterment      | Economic Development | 331            |
| 1 <sup>st</sup> Ave Lift | Business Type:       |                |
|                          | WWTP Improvement     | <u>37,108</u>  |
|                          |                      | <u>427,012</u> |
| Debt Service             | Debt Service:        |                |
| Debt Service             | Special Assessments  | 7,651          |
|                          | Special Revenue:     |                |
|                          | Downtown TIF         | 18,931         |
|                          | Road Use Tax         | 43,805         |
|                          | Business Type:       |                |
|                          | Water                | <u>33,390</u>  |
|                          |                      | <u>103,777</u> |

Business Type:

|                      |                      |                |
|----------------------|----------------------|----------------|
| Sewer Bond Sinking   | Enterprise:          |                |
|                      | Sewer                | 620,225        |
| Williams Center      | Capital Projects:    |                |
|                      | Economic Development | 68,000         |
| Williams Ctr Reserve | Economic Development | <u>2,154</u>   |
|                      |                      | <u>690,379</u> |

Total Interfund Transfers \$1,760,849

13. Risk Management

The City of Oelwein is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. Intermediary Relending Program Loan Agreement (IRP)

In April 2008, the City entered into a loan agreement with the United States Department of Agriculture (U.S.D.A.) for \$500,000 at 1% on the funds as they are dispersed. The loan is a thirty year loan starting April 25, 2008. In order to receive this loan the City had to commit 25% of the loan (\$125,000) to the I.R.P. The I.R.P. is to be used for any project which will create permanent employment diversification of the local economy or increase to the local tax base of the City of Oelwein.

During the year ended June 30, 2011 the City loaned \$300,000 under the IRP program. The City had twelve loans totaling \$575,305 under this program as

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2011

of June 30, 2011. The City borrowed \$173,200 from the USDA. The City loaned \$300,000 during the year ended June 30, 2011. The City has now borrowed the total \$500,000 under this program from the USDA.

15. Litigation

The City has been notified of five potential claims. The City has insurance coverage which will provide cost of defense and coverage for any established loss or judgment.

The City has also been notified of three additional claims which do not appear to be "grounded in law or fact." If a claim is made it will be submitted to the City's insurance company.

16. Subsequent Events

In September 2011 the City issued Series 2011A General Obligation Corporate Purpose and Refunding Bonds in the amount of \$2,885,000. The proceeds of the bonds is to be used to prepay series 2005A General Obligation Corporate Purpose and Refunding Bonds.



REQUIRED SUPPLEMENTAL INFORMATION

City of Oelwein  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements and Changes in Balances-  
 Budgetary Comparison Schedule  
 All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2011

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual |
|---|---------------------------------|--------------------------------|
| Receipts:   |                                 |                                |
| Property tax  | \$ 2,146,848                    | -                              |
| Tax increment financing collections                           | 77,819                          | -                              |
| Other city tax  | 843,837                         | -                              |
| Licenses and permits  | 90,508                          | -                              |
| Use of money and property                                     | 210,499                         | 10,573                         |
| Intergovernmental   | 1,653,340                       | 1,207,019                      |
| Charges for services  | 178,473                         | 2,755,744                      |
| Special assessments   | 140,773                         | -                              |
| Miscellaneous   | 257,681                         | 135,474                        |
| Total Receipts  | <u>5,599,778</u>                | <u>4,108,810</u>               |
| Disbursements:  |                                 |                                |
| Public Safety   | 1,657,381                       | -                              |
| Public Works  | 721,848                         | -                              |
| Health and Social Services                                    | 36,096                          | -                              |
| Culture and Recreation  | 734,580                         | -                              |
| Community and Economic Development                            | 1,113,995                       | -                              |
| General Government  | 348,957                         | -                              |
| Debt Service  | 526,090                         | -                              |
| Capital Projects  | 256,992                         | -                              |
| Business type activities                                      | -                               | 3,731,391                      |
| Total Disbursements   | <u>5,395,939</u>                | <u>3,731,391</u>               |
| Excess (deficiency) of receipts<br>over (under) disbursements | 203,839                         | 377,419                        |
| Other financing sources (uses):                               | <u>209,866</u>                  | <u>(33,116)</u>                |
| Net   | 413,705                         | 344,303                        |
| Balance, beginning of year                                    | <u>3,068,830</u>                | <u>564,638</u>                 |
| Balance, end of year  | <u><u>\$ 3,482,535</u></u>      | <u><u>908,941</u></u>          |

See accompanying independent auditor's report

| Less Funds<br>not Required<br>to be Budgeted | Net       | Budgeted Amounts |             | Final to<br>Net<br>Variance |
|--|-----------|------------------|-------------|-----------------------------|
|  |           | Original         | Final       |                             |
| -  | 2,146,848 | 1,884,837        | 1,884,837   | 262,011                     |
| -  | 77,819    | 246,359          | 246,359     | (168,540)                   |
| -  | 843,837   | 559,803          | 955,803     | (111,966)                   |
| -  | 90,508    | 81,120           | 81,120      | 9,388                       |
| -  | 221,072   | 151,585          | 241,585     | (20,513)                    |
| -  | 2,860,359 | 4,651,070        | 4,785,174   | (1,924,815)                 |
| -  | 2,934,217 | 2,465,700        | 2,845,700   | 88,517                      |
| -  | -         | 87,875           | 141,875     | (141,875)                   |
| -  | 393,155   | 136,095          | 169,895     | 223,260                     |
| -  | 9,708,588 | 10,264,444       | 11,352,348  | (1,784,533)                 |
| -  | 1,657,381 | 1,695,547        | 1,695,547   | 38,166                      |
| -  | 721,848   | 740,615          | 740,615     | 18,767                      |
| -  | 36,096    | 26,000           | 39,000      | 2,904                       |
| -  | 734,580   | 777,325          | 822,214     | 87,634                      |
| -  | 1,113,995 | 2,481,236        | 2,952,736   | 1,838,741                   |
| -  | 348,957   | 375,480          | 375,480     | 26,523                      |
| -  | 526,090   | 571,903          | 576,903     | 50,813                      |
| -  | 256,992   | 1,195,495        | 1,262,195   | 1,005,203                   |
| -  | 3,731,391 | 4,988,455        | 5,222,272   | 1,490,881                   |
| -  | 9,127,330 | 12,852,056       | 13,686,962  | 4,559,632                   |
| -  | 581,258   | (2,587,612)      | (2,334,614) | 2,915,872                   |
| -  | 176,750   | 2,011,000        | 1,615,219   | (1,438,469)                 |
| -  | 758,008   | (576,612)        | (719,395)   | 1,477,403                   |
| -  | 3,633,468 | 3,804,960        | 3,804,960   | 3,804,960                   |
| -  | 4,391,476 | 3,228,348        | 3,085,565   | 5,282,363                   |

City of Oelwein

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2011

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year the budget amendment increased budgeted revenues by \$1,087,904 and budgeted disbursements by \$1,230,687. The amended budget amounts are reflected in the final budgeted numbers.

The published amended budget does not balance transfers in with transfers out. The amended budget shows \$395,781 in transfers out but the amended budget does not show a corresponding transfer in.

## OTHER SUPPLEMENTARY INFORMATION

## City of Oelwein

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

|   | Special<br>Revenue | Capital<br>Projects | Debt Service        |                            | Permanant<br>Cemetary<br>Perpetual<br>Care | Total            |
|---|--------------------|---------------------|---------------------|----------------------------|--|------------------|
|   |                    |                     | #63 Debt<br>Service | #65 Special<br>Assessments |  |                  |
| <b>Receipts:</b>  |                    |                     |                     |                            |  |                  |
| Property tax  | \$ 46,579          | -                   | 239,354             | -                          | -  | 285,933          |
| TIF Collections   | 77,819             | -                   | -                   | -                          | -  | 77,819           |
| Other city tax  | 843,837            | -                   | -                   | -                          | -  | 843,837          |
| Use of money and property   | 11,601             | 3,872               | 2,290               | 710                        | 4,267                                      | 22,740           |
| Intergovernmental   | 394,689            | 491,721             | -                   | -                          | -  | 886,410          |
| Special assessments   | -                  | -                   | -                   | 140,773                    | -  | 140,773          |
| Charges for services  | -                  | -                   | -                   | -                          | -  | -                |
| Miscellaneous   | 42,179             | 9,264               | -                   | -                          | -  | 51,443           |
| <b>Total receipts</b>   | <b>1,416,704</b>   | <b>504,857</b>      | <b>241,644</b>      | <b>141,483</b>             | <b>4,267</b>                               | <b>2,308,955</b> |
| <b>Disbursements:</b>   |                    |                     |                     |                            |  |                  |
| Operating:  |                    |                     |                     |                            |  |                  |
| Public safety   | 331,824            | -                   | -                   | -                          | -  | 331,824          |
| Public works  | 32,932             | -                   | -                   | -                          | -  | 32,932           |
| Health & Social Services  | 36,096             | -                   | -                   | -                          | -  | 36,096           |
| Culture and recreation  | 46,330             | -                   | -                   | -                          | -  | 46,330           |
| Community and economic devel.   | 362,947            | 394,516             | -                   | -                          | -  | 757,463          |
| General government  | -                  | -                   | -                   | -                          | -  | -                |
| Debt service  | -                  | -                   | 526,090             | -                          | -  | 526,090          |
| Capital projects  | 15,000             | 210,321             | -                   | -                          | -  | 225,321          |
| Enterprise  | -                  | -                   | -                   | -                          | -  | -                |
| <b>Total disbursements</b>  | <b>825,129</b>     | <b>604,837</b>      | <b>526,090</b>      | <b>-</b>                   | <b>-</b>                                   | <b>1,956,056</b> |
| <b>Excess (deficiency) of receipts<br/>over (under) disbursements</b> | <b>591,575</b>     | <b>(99,980)</b>     | <b>(284,446)</b>    | <b>141,483</b>             | <b>4,267</b>                               | <b>352,899</b>   |
| <b>Other financing sources:</b>                                       |                    |                     |                     |                            |  |                  |
| IRP Loan Proceeds   | 176,750            | -                   | -                   | -                          | -  | 176,750          |
| Operating transfers in  | 227,881            | 25,331              | 103,777             | -                          | -  | 356,989          |
| Operating transfers out   | (715,481)          | (25,000)            | -                   | (7,651)                    | -  | (748,132)        |
| <b>Net change in cash balances</b>                                    | <b>280,725</b>     | <b>(99,649)</b>     | <b>(180,669)</b>    | <b>133,832</b>             | <b>4,267</b>                               | <b>138,506</b>   |
| <b>Cash balances beginning of year</b>                                | <b>661,974</b>     | <b>340,091</b>      | <b>213,788</b>      | <b>10,915</b>              | <b>257,998</b>                             | <b>1,484,766</b> |
| <b>Cash balances end of year</b>                                      | <b>\$ 942,699</b>  | <b>240,442</b>      | <b>33,119</b>       | <b>144,747</b>             | <b>262,265</b>                             | <b>1,623,272</b> |
| <b>Cash Basis Fund Balances</b>                                       |                    |                     |                     |                            |  |                  |
| Nonspendable-Cemetary   |                    |                     |                     |                            |  |                  |
| Perpetual Care  | \$ -               | -                   | -                   | -                          | 262,265                                    | 262,265          |
| Restricted for Debt Service   | -                  | -                   | 33,119              | 144,747                    | -  | 177,866          |
| Restricted for Other Purposes   | 942,699            | 240,442             | -                   | -                          | -  | 1,183,141        |
| <b>Total cash basis<br/>fund balances</b>                             | <b>\$ 942,699</b>  | <b>240,442</b>      | <b>33,119</b>       | <b>144,747</b>             | <b>262,265</b>                             | <b>1,623,272</b> |

See accompanying independent auditor's report

## City of Oelwein

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds-Special Revenue

As of and for the year ended June 30, 2011

|   | #47<br>Property<br>Tax Relief | #48<br>Gas<br>Franchise | #50<br>Flex<br>Spending | #51<br>Co Emer<br>Mgmt | #52<br>2008<br>Lein | #53<br>Lein3-03 | #54<br>Police<br>Remodel |
|---|-------------------------------|-------------------------|-------------------------|------------------------|---------------------|-----------------|--------------------------|
| <b>Receipts:</b>  |                               |                         |                         |                        |                     |                 |                          |
| Property tax  | -                             | -                       | -                       | 14,567                 | -                   | -               | -                        |
| Tax increemnt financing   | -                             | -                       | -                       | -                      | -                   | -               | -                        |
| Other city tax  | -                             | 278,059                 | -                       | -                      | -                   | -               | -                        |
| Use of money and property   | -                             | 490                     | -                       | -                      | -                   | -               | -                        |
| Intergovernmental   | -                             | -                       | -                       | -                      | -                   | -               | 606                      |
| Charges for Services  | -                             | -                       | -                       | -                      | -                   | 313,534         | -                        |
| Miscellaneous   | -                             | -                       | 34,263                  | -                      | -                   | -               | -                        |
| <b>Total receipts</b>   | -                             | 278,549                 | 34,263                  | 14,567                 | -                   | 313,534         | 606                      |
| <b>Disbursements:</b>   |                               |                         |                         |                        |                     |                 |                          |
| <b>Operating:</b>   |                               |                         |                         |                        |                     |                 |                          |
| Public safety   | -                             | -                       | -                       | 12,996                 | -                   | 311,461         | -                        |
| Public works  | -                             | -                       | -                       | -                      | -                   | -               | -                        |
| Health & Social Service   | -                             | -                       | 36,096                  | -                      | -                   | -               | -                        |
| Culture and recreation  | -                             | -                       | -                       | -                      | -                   | -               | -                        |
| Community and economic<br>development                                 | -                             | 4,935                   | -                       | -                      | -                   | -               | -                        |
| General government  | -                             | -                       | -                       | -                      | -                   | -               | -                        |
| Debt service  | -                             | -                       | -                       | -                      | -                   | -               | -                        |
| Capital projects  | -                             | -                       | -                       | -                      | -                   | -               | -                        |
| Enterprise  | -                             | -                       | -                       | -                      | -                   | -               | 15,000                   |
| <b>Total disbursements</b>  | -                             | 4,935                   | 36,096                  | 12,996                 | -                   | 311,461         | 15,000                   |
| <b>Excess (deficiency) of receipts<br/>over (under) disbursements</b> | -                             | 273,614                 | (1,833)                 | 1,571                  | -                   | 2,073           | (14,394)                 |
| <b>Other financing sources:</b>                                       |                               |                         |                         |                        |                     |                 |                          |
| IRP Loan Proceeds   | -                             | -                       | -                       | -                      | -                   | -               | -                        |
| Operating transfers in  | 79,177                        | 117,823                 | -                       | -                      | -                   | 1,001           | -                        |
| Operating transfers out   | -                             | (79,177)                | -                       | -                      | (1,001)             | (38,600)        | -                        |
| <b>Net change in cash balances</b>                                    | 79,177                        | 312,260                 | (1,833)                 | 1,571                  | (1,001)             | (35,526)        | (14,394)                 |
| <b>Cash balances beginning of year</b>                                | -                             | -                       | 7,299                   | -                      | 1,001               | 40,189          | 98,080                   |
| <b>Cash balances end of year</b>                                      | 79,177                        | 312,260                 | 5,466                   | 1,571                  | -                   | 4,663           | 83,686                   |
| <b>Cash Basis Fund Balances</b>                                       |                               |                         |                         |                        |                     |                 |                          |
| Restricted for IRP  | -                             | -                       | -                       | -                      | -                   | -               | -                        |
| Restricted for Other Purposes   | 79,177                        | 312,260                 | 5,466                   | 1,571                  | -                   | 4,663           | 83,686                   |
| <b>Total cash basis fund balances</b>                                 | 79,177                        | 312,260                 | 5,466                   | 1,571                  | -                   | 4,663           | 83,686                   |

See accompanying independent auditor's report

| #55<br>IRP<br>Revolving | #56<br>Downtown<br>TIF | #57<br>Motel/<br>Hotel Tax | #58<br>DARE | #59<br>Sales<br>Tax | #68<br>Municipal<br>Trust | #69<br>I-Jobs | #92<br>Industrial<br>Park TIF | #94<br>Emergency | #96<br>James Dev<br>TIF | #99<br>Forfitted<br>Assets | Total     |
|-------------------------|------------------------|----------------------------|-------------|---------------------|---------------------------|---------------|-------------------------------|------------------|-------------------------|----------------------------|-----------|
| -                       | -                      | -                          | -           | -                   | -                         | -             | -                             | 32,012           | -                       | -                          | 46,579    |
| -                       | 18,931                 | -                          | -           | -                   | -                         | -             | 5,888                         | -                | 53,000                  | -                          | 77,819    |
| -                       | -                      | 47,008                     | -           | 518,770             | -                         | -             | -                             | -                | -                       | -                          | 843,837   |
| 770                     | -                      | 183                        | 65          | 2,051               | 7,358                     | -             | -                             | -                | 42                      | 36                         | 11,601    |
| 45,591                  | -                      | -                          | -           | -                   | -                         | 35,564        | -                             | -                | -                       | -                          | 394,689   |
| -                       | -                      | -                          | -           | -                   | -                         | -             | -                             | -                | -                       | -                          | -         |
| -                       | -                      | -                          | -           | -                   | -                         | -             | -                             | -                | -                       | 7,916                      | 42,179    |
| 46,361                  | 18,931                 | 47,191                     | 65          | 520,821             | 7,358                     | 35,564        | 5,888                         | 32,012           | 53,042                  | 7,952                      | 1,416,704 |
| -                       | -                      | -                          | 1,818       | -                   | -                         | -             | -                             | -                | -                       | 5,549                      | 331,824   |
| -                       | -                      | -                          | -           | -                   | -                         | 32,932        | -                             | -                | -                       | -                          | 32,932    |
| -                       | -                      | -                          | -           | -                   | -                         | -             | -                             | -                | -                       | -                          | 36,096    |
| -                       | -                      | 41,144                     | -           | -                   | 5,186                     | -             | -                             | -                | -                       | -                          | 46,330    |
| 306,571                 | -                      | -                          | -           | -                   | -                         | -             | 3,741                         | -                | 47,700                  | -                          | 362,947   |
| -                       | -                      | -                          | -           | -                   | -                         | -             | -                             | -                | -                       | -                          | -         |
| -                       | -                      | -                          | -           | -                   | -                         | -             | -                             | -                | -                       | -                          | -         |
| -                       | -                      | -                          | -           | -                   | -                         | -             | -                             | -                | -                       | -                          | 15,000    |
| -                       | -                      | -                          | -           | -                   | -                         | -             | -                             | -                | -                       | -                          | -         |
| 306,571                 | -                      | 41,144                     | 1,818       | -                   | 5,186                     | 32,932        | 3,741                         | -                | 47,700                  | 5,549                      | 825,129   |
| (260,210)               | 18,931                 | 6,047                      | (1,753)     | 520,821             | 2,172                     | 2,632         | 2,147                         | 32,012           | 5,342                   | 2,403                      | 591,575   |
| 176,750                 | -                      | -                          | -           | -                   | -                         | -             | -                             | -                | -                       | -                          | 176,750   |
| -                       | -                      | -                          | -           | -                   | 29,880                    | -             | -                             | -                | -                       | -                          | 227,881   |
| -                       | (18,931)               | (17,450)                   | -           | (520,821)           | -                         | -             | (2,147)                       | (32,012)         | (5,342)                 | -                          | (715,481) |
| (83,460)                | -                      | (11,403)                   | (1,753)     | -                   | 32,052                    | 2,632         | -                             | -                | -                       | 2,403                      | 280,725   |
| 146,121                 | -                      | 21,396                     | 10,850      | 3,257               | 298,941                   | 29,229        | -                             | -                | -                       | 5,611                      | 661,974   |
| 62,661                  | -                      | 9,993                      | 9,097       | 3,257               | 330,993                   | 31,861        | -                             | -                | -                       | 8,014                      | 942,699   |
| 62,661                  | -                      | -                          | -           | -                   | -                         | -             | -                             | -                | -                       | -                          | 62,661    |
| -                       | -                      | 9,993                      | 9,097       | 3,257               | 330,993                   | 31,861        | -                             | -                | -                       | 8,014                      | 880,038   |
| 62,661                  | -                      | 9,993                      | 9,097       | 3,257               | 330,993                   | 31,861        | -                             | -                | -                       | 8,014                      | 942,699   |



City of Oelwein

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds-Capital Projects

As of and for the year ended June 30, 2011

|   | #49<br>2010 Bond<br>Sale | #73<br>Capital<br>Equipment | #78<br>W Charles<br>Mall | #79<br>Airport<br>Grants | #82<br>Downtown<br>Betterment |
|---|--------------------------|-----------------------------|--------------------------|--------------------------|-------------------------------|
| <b>Receipts:</b>  |                          |                             |                          |                          |                               |
| Tax increment financing   | \$ -                     | -                           | -                        | -                        | -                             |
| Other city tax  | -                        | -                           | -                        | -                        | -                             |
| Use of money and property   | 75                       | 455                         | 46                       | -                        | -                             |
| Intergovernmental   | -                        | -                           | 28,375                   | 16,332                   | -                             |
| Charges for Services  | -                        | -                           | -                        | -                        | -                             |
| Miscellaneous   | -                        | -                           | 1,695                    | -                        | -                             |
| <b>Total receipts</b>   | <b>75</b>                | <b>455</b>                  | <b>30,116</b>            | <b>16,332</b>            | <b>-</b>                      |
| <b>Disbursements:</b>   |                          |                             |                          |                          |                               |
| Operating:  |                          |                             |                          |                          |                               |
| Public safety   | -                        | -                           | -                        | -                        | -                             |
| Public works  | -                        | -                           | -                        | -                        | -                             |
| Culture and recreation  | -                        | -                           | -                        | -                        | -                             |
| Community and economic<br>development                                 | -                        | -                           | -                        | -                        | -                             |
| General government  | -                        | -                           | -                        | -                        | -                             |
| Debt service  | -                        | -                           | -                        | -                        | -                             |
| Capital projects  | 28,665                   | 17,575                      | 27,641                   | 70,827                   | 1,331                         |
| Enterprise  | -                        | -                           | -                        | -                        | -                             |
| <b>Total disbursements</b>  | <b>28,665</b>            | <b>17,575</b>               | <b>27,641</b>            | <b>70,827</b>            | <b>1,331</b>                  |
| <b>Excess (deficiency) of receipts<br/>over (under) disbursements</b> | <b>(28,590)</b>          | <b>(17,120)</b>             | <b>2,475</b>             | <b>(54,495)</b>          | <b>(1,331)</b>                |
| <b>Other financing sources:</b>                                       |                          |                             |                          |                          |                               |
| Bond Proceeds   | -                        | -                           | -                        | -                        | -                             |
| Operating transfers in  | -                        | -                           | -                        | 25,000                   | 331                           |
| Operating transfers out   | -                        | -                           | -                        | -                        | -                             |
| <b>Net change in cash balances</b>                                    | <b>(28,590)</b>          | <b>(17,120)</b>             | <b>2,475</b>             | <b>(29,495)</b>          | <b>(1,000)</b>                |
| <b>Cash balances beginning of year</b>                                | <b>28,590</b>            | <b>58,118</b>               | <b>-</b>                 | <b>(12,816)</b>          | <b>1,000</b>                  |
| <b>Cash balances end of year</b>                                      | <b>\$ -</b>              | <b>40,998</b>               | <b>2,475</b>             | <b>(42,311)</b>          | <b>-</b>                      |
| <b>Cash Basis Fund Balances</b>                                       |                          |                             |                          |                          |                               |
| Restricted for:   |                          |                             |                          |                          |                               |
| Capital projects  | \$ -                     | 40,998                      | 2,475                    | (42,311)                 | -                             |

See accompanying independent auditor's report

SCHEDULE 3

| #85<br>2009 Bond<br>Sale | #86<br>Trails-<br>Platts/Wings | #87<br>Pave 10th<br>St SE | #88<br>Neighborhood<br>Stabilization | #89<br>Library<br>Bond | #93<br>Pave<br>7th St | #97<br>2nd St<br>Curb/Gutter | Total    |
|--------------------------|--------------------------------|---------------------------|--------------------------------------|------------------------|-----------------------|------------------------------|----------|
| -                        | -                              | -                         | -                                    | -                      | -                     | -                            | -        |
| -                        | -                              | -                         | -                                    | -                      | -                     | -                            | -        |
| 747                      | 286                            | 840                       | -                                    | -                      | 113                   | 1,310                        | 3,872    |
| -                        | 4,332                          | -                         | 442,682                              | -                      | -                     | -                            | 491,721  |
| -                        | -                              | -                         | -                                    | -                      | -                     | -                            | -        |
| -                        | -                              | -                         | -                                    | 7,569                  | -                     | -                            | 9,264    |
| 747                      | 4,618                          | 840                       | 442,682                              | 7,569                  | 113                   | 1,310                        | 504,857  |
| -                        | -                              | -                         | -                                    | -                      | -                     | -                            | -        |
| -                        | -                              | -                         | -                                    | -                      | -                     | -                            | -        |
| -                        | -                              | -                         | -                                    | -                      | -                     | -                            | -        |
| -                        | -                              | -                         | 394,516                              | -                      | -                     | -                            | 394,516  |
| -                        | -                              | -                         | -                                    | -                      | -                     | -                            | -        |
| -                        | -                              | -                         | -                                    | -                      | -                     | -                            | -        |
| -                        | -                              | -                         | -                                    | -                      | -                     | -                            | -        |
| 2,619                    | 19,856                         | 23,201                    | -                                    | -                      | 18,606                | -                            | 210,321  |
| -                        | -                              | -                         | -                                    | -                      | -                     | -                            | -        |
| 2,619                    | 19,856                         | 23,201                    | 394,516                              | -                      | 18,606                | -                            | 604,837  |
| (1,872)                  | (15,238)                       | (22,361)                  | 48,166                               | 7,569                  | (18,493)              | 1,310                        | (99,980) |
| -                        | -                              | -                         | -                                    | -                      | -                     | -                            | -        |
| -                        | -                              | -                         | -                                    | -                      | -                     | -                            | 25,331   |
| (25,000)                 | -                              | -                         | -                                    | -                      | -                     | -                            | (25,000) |
| (26,872)                 | (15,238)                       | (22,361)                  | 48,166                               | 7,569                  | (18,493)              | 1,310                        | (99,649) |
| 88,397                   | 39,912                         | 100,997                   | (116,491)                            | (29,055)               | 29,436                | 152,003                      | 340,091  |
| 61,525                   | 24,674                         | 78,636                    | (68,325)                             | (21,486)               | 10,943                | 153,313                      | 240,442  |
| 61,525                   | 24,674                         | 78,636                    | (68,325)                             | (21,486)               | 10,943                | 153,313                      | 240,442  |

City of Oelwein

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2011

|   | #70      | #71       | #72                |
|---|----------|-----------|--------------------|
|   | Landfill | Recycling | Williams<br>Center |
| Receipts:   |          |           |                    |
| Intergovernmental   | \$ -     | -         | -                  |
| Charges for services  | 216,826  | 80,680    | 98,261             |
| Miscellaneous   | -        | -         | 6,531              |
| Total receipts  | 216,826  | 80,680    | 104,792            |
| Disbursements:  |          |           |                    |
| Operating:  |          |           |                    |
| Enterprise  | 219,692  | 81,779    | 172,792            |
| Debt Service  |          |           |                    |
| Principal   | -        | -         | -                  |
| Interest  | -        | -         | -                  |
| Total disbursements   | 219,692  | 81,779    | 172,792            |
| Excess (deficiency) of receipts<br>over (under) disbursements | (2,866)  | (1,099)   | (68,000)           |
| Other financing sources:                                      |          |           |                    |
| Use of money and property                                     | 52       | 30        | -                  |
| Operating transfers in  | -        | -         | 68,000             |
| Operating transfers out                                       | -        | -         | -                  |
| Net change in cash balances                                   | (2,814)  | (1,069)   | -                  |
| Cash balances beginning of year                               | 10,185   | 8,210     | -                  |
| Cash balances end of year                                     | \$ 7,371 | 7,141     | -                  |
| Cash Basis Fund Balances                                      |          |           |                    |
| Reserved  | \$ -     | -         | -                  |
| Unreserved  | 7,371    | 7,141     | -                  |
| Total cash basis fund balances                                | \$ 7,371 | 7,141     | -                  |

See accompanying independent auditor's report

SCHEDULE 4

| #76<br>Customer<br>Dep. Water | #77<br>Wastewater<br>Improvement | #81<br>Sewer Main<br>Const | #84<br>Fuel | #95<br>1st Ave<br>Lift | #98<br>Williams<br>Ctr Reserve | Total     |
|-------------------------------|----------------------------------|----------------------------|-------------|------------------------|--------------------------------|-----------|
| -                             | 297                              | -                          | -           | -                      | -                              | 297       |
| -                             | -                                | -                          | 134,544     | -                      | -                              | 530,311   |
| 23,900                        | -                                | -                          | 3,838       | -                      | 62                             | 34,331    |
| 23,900                        | 297                              | -                          | 138,382     | -                      | 62                             | 564,939   |
| 24,139                        | -                                | 1,141                      | 140,744     | 133,477                | 2,265                          | 776,029   |
| -                             | -                                | -                          | -           | -                      | -                              | -         |
| -                             | -                                | -                          | -           | -                      | -                              | -         |
| 24,139                        | -                                | 1,141                      | 140,744     | 133,477                | 2,265                          | 776,029   |
| (239)                         | 297                              | (1,141)                    | (2,362)     | (133,477)              | (2,203)                        | (211,090) |
| 1,474                         | -                                | 1,458                      | -           | -                      | 79                             | 3,093     |
| -                             | -                                | -                          | -           | 37,108                 | 2,154                          | 107,262   |
| -                             | (37,108)                         | -                          | -           | -                      | -                              | (37,108)  |
| 1,235                         | (36,811)                         | 317                        | (2,362)     | (96,369)               | 30                             | (137,843) |
| 69,123                        | 36,811                           | 170,257                    | 1,028       | -                      | 12,470                         | 308,084   |
| 70,358                        | -                                | 170,574                    | (1,334)     | (96,369)               | 12,500                         | 170,241   |
| -                             | -                                | -                          | -           | -                      | 12,500                         | 12,500    |
| 70,358                        | -                                | 170,574                    | (1,334)     | (96,369)               | -                              | 157,741   |
| 70,358                        | -                                | 170,574                    | (1,334)     | (96,369)               | 12,500                         | 170,241   |

## CITY OF OELWEIN

STATEMENT OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2011

| <u>Obligation</u>   | <u>Date of<br/>Issue</u> | <u>Interest<br/>Rates</u>   | <u>Amount<br/>Originally<br/>Issued</u> |
|---|--------------------------|---|---|
| General obligation corporate<br>purpose and refunding notes<br>Series 2005A   | 11-30-05                 | 3.1-4.35%   | 3,995,000                               |
| General obligation corporate<br>purpose bonds, Series 2009  | 5-1-09                   | 1.25-4.0%   | 1,190,000                               |
| General Obligation corporate<br>purpose and refunding bonds,<br>Series 2010A  | 4-15-2010                | 2.0-3.0%  | 620,000                                 |
| Revenue notes:  |                          |   |   |
| Sewer revenue bonds, series 2005<br>State Revolving Funds (Fd # 90)   | 5-23-05                  | 3.00%   | 8,954,000                               |
| Water revenue bonds, series 2010<br>State Revolving Funds (Fd # 62)   | 9-15-10                  | 3.00%   | 1,700,000                               |
| U.S. Department of Agriculture<br>Intermediary Relending Program<br>(Fd # 55)   | 4-25-08                  | 1.00%   | 500,000                                 |
|   |                          |   | <u>Amount<br/>Available</u>             |
| Revolving Line of Credit<br>Half of note is with Fidelity<br>Bank of Oelwein, Iowa and the<br>other half is with Community Bank<br>of Oelwein, Iowa-Note is for<br>Donaldson Building | 1-9-04                   | Variable<br>5.25% tied<br>to Prime,<br>Floor 5.25%<br>Due 1/10/2013 | 600,000                                 |

see accompanying independent auditor's report

| <u>Balance<br/>Beginning<br/>of Year</u> | <u>Issued<br/>During<br/>Year</u> | <u>Redeemed<br/>During<br/>Year</u> | <u>Balance<br/>End of<br/>Year</u> | <u>Interest<br/>Paid</u> | <u>Interest<br/>Due and<br/>Unpaid</u> |
|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|--|
| 2,955,000                                | -                                 | 170,000                             | 2,785,000                          | 120,343                  | -                                      |
| 1,170,000                                | -                                 | 45,000                              | 1,125,000                          | 37,650                   | -                                      |
| 620,000                                  | -                                 | 135,000                             | 485,000                            | 14,748                   | -                                      |
| <u>\$ 4,745,000</u>                      | <u>-</u>                          | <u>350,000</u>                      | <u>4,395,000</u>                   | <u>172,741</u>           | <u>-</u>                               |
| <u>\$ 7,555,000</u>                      | <u>-</u>                          | <u>375,000</u>                      | <u>7,180,000</u>                   | <u>226,650</u>           | <u>-</u>                               |
| <u>\$ -</u>                              | <u>995,289</u>                    | <u>-</u>                            | <u>995,289</u>                     | <u>12,415</u>            | <u>-</u>                               |
| <u>\$ 326,800</u>                        | <u>173,200</u>                    | <u>-</u>                            | <u>500,000</u>                     | <u>3,457</u>             | <u>-</u>                               |
| <u>\$ 84,511</u>                         | <u>-</u>                          | <u>32,332</u>                       | <u>52,179</u>                      | <u>7,988</u>             | <u>-</u>                               |

## CITY OF OELWEIN

## BOND MATURITIES AND NOTES

June 30, 2011

| General Obligation<br>Corporate Purpose and<br>Refunding Note |                   |                     | General Obligation<br>Corporate Purpose<br>Series 2009 |                   | General Obligation<br>Corporate Purpose<br>and Refunding   |                |
|---|-------------------|---------------------|--|-------------------|--|----------------|
| Issued November 30, 2005                                      |                   |                     | Issued May 1, 2009                                     |                   | Issued April 15, 2010  |                |
| Year<br>Ending<br>June 30,                                    | Interest<br>Rates | Amount              | Interest<br>Rates                                      | Amount            | Interest<br>Rates  | Amount         |
| 2012  | 3.70%             | 180,000             | -  | -                 | 2.00%  | 120,000        |
| 2013  | 3.80%             | 235,000             | 2.00%  | 95,000            | 2.00%  | 120,000        |
| 2014  | 3.90%             | 165,000             | -  | -                 | 3.00%  | 200,000        |
| 2015  | 4.00%             | 385,000             | 2.50%  | 115,000           | 3.00%  | 45,000         |
| 2016  | 4.10%             | 395,000             | 3.00%  | 140,000           |  |                |
| 2017  | 4.15%             | 455,000             | 3.20%  | 145,000           |  |                |
| 2018  | 4.25%             | 475,000             | 3.40%  | 150,000           |  |                |
| 2019  | 4.35%             | 495,000             | 3.60%  | 155,000           |  |                |
| 2020  |                   |                     | 3.80%  | 160,000           |  |                |
| 2021  |                   |                     | 4.00%  | 165,000           |  |                |
|   |                   | <u>\$ 2,785,000</u> |  | <u>1,125,000</u>  |  | <u>485,000</u> |
| Revenue Note<br>Sewer Revenue Bond                            |                   |                     | Revenue Note<br>Sewer Revenue Bond                     |                   |  |                |
| Issued May 23, 2005   |                   |                     | Issued September 15, 2010                              |                   |  |                |
|   | Interest<br>Rates | Amount              |  | Interest<br>Rates | Amount   |                |
| 2012  | 3.00%             | 386,000             | 3.00%  | 90,000            | This schedule is based on the City drawing the entire \$1,700,000. As of June 30, 2011 the City had only drawn down \$995,289. |                |
| 2013  | 3.00%             | 398,000             | 3.00%  | 93,000            |  |                |
| 2014  | 3.00%             | 410,000             | 3.00%  | 96,000            |  |                |
| 2015  | 3.00%             | 422,000             | 3.00%  | 99,000            |  |                |
| 2016  | 3.00%             | 435,000             | 3.00%  | 102,000           |  |                |
| 2017  | 3.00%             | 448,000             | 3.00%  | 105,000           |  |                |
| 2018  | 3.00%             | 461,000             | 3.00%  | 109,000           |  |                |
| 2019  | 3.00%             | 475,000             | 3.00%  | 112,000           |  |                |
| 2020  | 3.00%             | 490,000             | 3.00%  | 116,000           |  |                |
| 2021  | 3.00%             | 504,000             | 3.00%  | 120,000           |  |                |
| 2022  | 3.00%             | 519,000             | 3.00%  | 123,000           |  |                |
| 2023  | 3.00%             | 535,000             | 3.00%  | 127,000           |  |                |
| 2024  | 3.00%             | 551,000             | 3.00%  | 132,000           |  |                |
| 2025  | 3.00%             | 567,000             | 3.00%  | 136,000           |  |                |
| 2026  | 3.00%             | 579,000             | 3.00%  | 140,000           |  |                |
|   |                   | <u>7,180,000</u>    |  | <u>1,700,000</u>  |  |                |

See accompanying independent auditor's report

City of Oelwein

Schedule of Receipts by Source and Disbursements by Function  
All Governmental Funds  
For the Last Seven Years-Years Ended June 30

|                                    | <u>2011</u>         | <u>2010</u>       | <u>2009</u>       |
|------------------------------------|---------------------|-------------------|-------------------|
| Receipts:                          |                     |                   |                   |
| Property tax                       | \$ 2,193,856        | 1,924,356         | 1,848,092         |
| Tax increment financing            | 77,819              | 152,164           | 150,020           |
| Other city tax                     | 796,829             | 504,753           | 531,325           |
| Licenses and permits               | 90,508              | 82,745            | 77,139            |
| Use of money and property          | 211,957             | 182,723           | 137,646           |
| Intergovernmental                  | 1,655,035           | 1,451,034         | 1,438,224         |
| Charges for service                | 178,473             | 157,251           | 132,138           |
| Special assessments                | 140,773             | 125,985           | 186,564           |
| Miscellaneous                      | 255,986             | 416,260           | 508,329           |
|                                    | <u>          </u>   | <u>          </u> | <u>          </u> |
| Total                              | <u>\$ 5,601,236</u> | <u>4,997,271</u>  | <u>5,009,477</u>  |
| Disbursements:                     |                     |                   |                   |
| Operating:                         |                     |                   |                   |
| Public safety                      | \$ 1,657,381        | 1,612,823         | 1,470,636         |
| Public works                       | 721,848             | 699,846           | 654,838           |
| Health and social services         | 36,096              | 26,342            | 22,210            |
| Culture and recreation             | 734,580             | 709,608           | 664,204           |
| Community and economic development | 1,113,995           | 537,523           | 743,863           |
| General government                 | 348,957             | 327,414           | 346,965           |
| Debt service                       | 526,090             | 1,415,055         | 741,453           |
| Capital projects                   | 254,967             | 807,293           | 762,187           |
| Enterprise                         | 134,643             | 536,959           | 15,941            |
|                                    | <u>          </u>   | <u>          </u> | <u>          </u> |
| Total                              | <u>\$ 5,528,557</u> | <u>6,672,863</u>  | <u>5,422,297</u>  |

See accompanying independent auditor's report



Schedule 7

| <u>2008</u>      | <u>2007</u>      | <u>2006</u>      | <u>2005</u>      |
|------------------|------------------|------------------|------------------|
| 1,812,366        | 1,828,186        | 1,746,846        | 1,653,158        |
| 136,547          | 138,099          | 161,607          | 155,521          |
| 474,004          | 508,516          | 399,905          | 394,643          |
| 72,053           | 73,689           | 67,977           | 61,375           |
| 271,087          | 199,268          | 184,814          | 104,457          |
| 1,191,561        | 1,698,867        | 1,743,440        | 1,375,291        |
| 145,868          | 157,803          | 144,706          | 407,599          |
| 131,537          | 37,166           | 41,252           | 45,058           |
| 395,268          | 576,110          | 397,606          | 341,271          |
| <u>4,630,291</u> | <u>5,217,704</u> | <u>4,888,153</u> | <u>4,538,373</u> |
| 1,506,802        | 1,508,523        | 1,649,099        | 1,952,294        |
| 641,866          | 545,938          | 525,040          | 531,129          |
| 19,092           | 14,927           | 10,929           | -                |
| 673,792          | 595,684          | 536,794          | 495,819          |
| 673,493          | 387,696          | 207,295          | 155,908          |
| 250,274          | 248,696          | 283,983          | 224,816          |
| 754,716          | 1,637,853        | 375,937          | 261,230          |
| 1,001,904        | 3,334,784        | 4,373,910        | 2,056,814        |
| 53               | -                | -                | -                |
| <u>5,521,992</u> | <u>8,274,101</u> | <u>7,962,987</u> | <u>5,678,010</u> |

City of Oelwein  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

| <u>Grantor/Program</u>                                    | <u>CFDA<br/>Number</u> | <u>Agency<br/>Pass-<br/>through<br/>Number</u> | <u>Program<br/>Expenditures</u> |
|---|------------------------|--|---------------------------------|
| <b><u>Indirect:</u></b>                                   |                        |  |                                 |
| Department of Education                                   |                        |  |                                 |
| Iowa Department of Transportation                         |                        |  |                                 |
| ARRA-State Fiscal Stabilization Fund-                     |                        |  |                                 |
| Government Services, Recovery Act                         | 84.397                 | S397A090016A                                   | 7,991                           |
| <b><u>Department of Homeland Security</u></b>             |                        |  |                                 |
| Iowa Department of Public Defense                         |                        |  |                                 |
| LETTP Fusion Center-Fund #53                              | 97.067                 | 2008-IO-T8-0049                                | 78,511                          |
| Initial Strategy Implementation Plan                      | 97.067                 | 2009-SS-T9-0034-09                             | 235,023                         |
| FEMA  | 97.036                 | Disaster #1930<br>#065-58620-00                | 88,123                          |
| <b><u>U.S. Department of Justice</u></b>                  |                        |  |                                 |
| Iowa Department of Justice                                |                        |  |                                 |
| DASART-Stop Violence Against Women                        | 16.588                 | VW-11-80D                                      | 6,694                           |
| <b><u>U.S. Department of Transportation</u></b>           |                        |  |                                 |
| Iowa Department of Public Safety                          |                        |  |                                 |
| Alcohol Incentive Grant                                   | 20.601                 | PAP 10-410, Task 56                            | 4,622                           |
|   | 20.601                 | PAP 11-410, Task 56                            | 8,221                           |
| Airport Improvement Program                               | 20.106                 | 3-19-0067-03<br>3-19-0067-05                   | 8,334<br>7,998                  |
| Iowa Department of Transportation                         |                        |  |                                 |
| Trails-Platts to Wings-Fund # 86                          | 20.250                 | Proj#STP-E-5657(610)<br>Agree#09-STPE-119      | 4,332                           |
| <b><u>Department of Housing and Urban Development</u></b> |                        |  |                                 |
| Iowa Department of Economic Development                   |                        |  |                                 |
| Water System Improvement                                  | 14.228                 | 09-WS-044                                      | 210,683                         |
| Neighborhood Stabilization                                | 14.228                 | 08-NSP-013                                     | 430,946                         |
| <b><u>U.S. Department of Agriculture</u></b>              |                        |  |                                 |
| Intermediary Relending Program                            | 10.767                 |  | 173,200                         |
| <b><u>U.S. Environmental Protection Agency</u></b>        |                        |  |                                 |
| Iowa Department of Natural Resources                      |                        |  |                                 |
| Brownsfield Assessment and Cleanup                        | 66.818                 | 11-7540-14                                     | 24,975                          |
| Cooperative Agreements                                    |                        | 11-7540-08                                     | 3,400                           |
| Total   |                        |  | <u>\$ 1,293,053</u>             |

**Basis of Presentation-**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Oelwen and is presented in conformity With an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations.** Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the

See accompanying independent auditor's report

**RFSW** Ridihalgh Fuelling  
Snitker Weber & Co.  
C E R T I F I E D P U B L I C A C C O U N T A N T S

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDIT STANDARDS

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 7, 2011. Our report expressed unqualified opinions on the financial statements which are prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oelwein's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Oelwein's internal control over financial reporting. Accordingly, we do not express any opinion on the effectiveness of Oelwein's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Oelwein's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 to be material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We found no items we determined to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oelwein's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Oelwein's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit Oelwein's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Oelwein and other parties to whom the City of Oelwein may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We should like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Oelwein during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.*

RIDIHALGH, FUELLING, SNITKER, WEBER AND COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTS

December 7, 2011

Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
In Accordance with OMB Circular A-133

To the Honorable Mayor and  
Member of the City Council:

Compliance

We have audited the compliance of the City of Oelwein, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2011. The City of Oelwein's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs are the responsibility of the City of Oelwein's management. Our responsibility is to express an opinion on the City of Oelwein's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Oelwein's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Oelwein's compliance with those requirements.

In our opinion, the City of Oelwein complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City of Oelwein is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of

Oelwein's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Oelwein's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected on a timely basis.

Oelwein's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit Oelwein's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the formation and use of the officials, employees and citizens of the City of Oelwein and other parties to whom the City of Oelwein may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.*

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

December 7, 2011

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2011

Part I - Summary of the Independent Auditor's Results

- a.) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b.) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c.) The audit did not disclose any non-compliance which is material to the financial statements.
- d.) No reportable condition in internal control over the major program was disclosed by the audit of the financial statements.
- e.) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- f.) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- g.) Major programs were CFDA Number 97.067-LETPP Fusion Center and 14.228-Neighborhood Stabilization.
- h.) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i.) The City of Oelwein qualified as a low-risk auditee.

Part II - Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-11 Segregation of Duties-One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation-We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response-We will consider this.

Conclusion- Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.



CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2011

II-B-11 Accounting Staff Technical Expertise-The City of Oelwein, Iowa does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America to comply with the State's requirements or to comply with GASB 34 and therefore, it relies on its auditors to prepare such statements.

Response-Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to relay on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Conclusion-Response accepted.

Instances of non-compliance:

No matters were noted.

Part III - Findings and Questioned Cost for Federal Awards:

There were no findings or questioned costs for Federal Awards.

Part IV - Other Findings Related to Statutory Reporting:

IV-A-11 Certified Amended Budget-The published amended budget showed Transfers Out of \$395,781, but no offsetting Transfers In.

Recommendation - The published budget should be reviewed in the future to assure that transfers in equal transfers out.

Response - The City will review the Budget before publishing in the future.

Conclusion-Response accepted.

IV-B-11 Questionable Disbursements--No expenditures were noted for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2011

- IV-C-11 Travel Expenses--No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-11 Business Transactions--No business transactions between the City and City officials or employees were noted.
- IV-E-11 Bond Coverage--Security bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- IV-F-11 Council Minutes--No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-11 Deposits and Investments--We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- IV-H-11 Temporary Investments--The City has a systematic investment program. During the year ended June 30, 2011, the investments resulted in interest income of \$52,184.
- IV-I-11 Financial Condition--At June 30, 2011 the City had a deficit balances in the Airport Grants fund, the Neighborhood Stabilization Program, the 1<sup>st</sup> Ave Lift fund, fund, the fuel and the Water Improvement fund which the City considers temporary in nature. In addition the City had a deficit in the Library Bond fund which does not appear temporary and the City may need to satisfy with a transfer of funds.
- IV-J-11 Official Depositories--A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2011.
- IV-K-11 Revenue Bonds and Notes --No instances of non-compliance with the revenue bond and note resolutions were noted.

CITY OF OELWEIN  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

IV-L-11 Incorrect Recording of Check Amount-The city issued a check dated June 28, 2011 for \$8,973.75 but only recorded \$6,398.28 in fiscal year ended June 30, 2011. The same \$6,398.28 also shows on their bank reconciliation. The check was recorded as such because that funds budget only had that amount available.

Recommendation-In the future it is recommended that the check be dated into the next year's budget or that a check up to the amount of the current years remaining budget be issued and any remaining amount be written in the next fiscal year.

Response-In the future the City will issue separate checks in different fiscal years should this situation arise again.

Conclusion-Response accepted.

CITY OF OELWEIN

AUDIT STAFF

This audit was performed by:

Donald A. Snitker, CPA, Manager  
Al Flick, CPA, Assistant Auditor  
Jeremy Lockard, CPA, Staff